

Hearing Date: August 17, 2011 at 10:00 a.m.

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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <u>et al.</u> ,	:	08-13555 (JMP)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**STATEMENT OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
IN SUPPORT OF MOTION OF LEHMAN BROTHERS HOLDINGS INC. AND  
LEHMAN COMMERCIAL PAPER INC. PURSUANT TO SECTION 363 OF THE  
BANKRUPTCY CODE FOR AUTHORITY (I) TO CREATE TWO AUDITABLE  
CREDIT-WORTHY GUARANTORS, (II) TO CONTRIBUTE \$50 MILLION TO EACH  
SUCH ENTITY, AND (III) TO MAKE FUTURE CONTRIBUTION OF UP TO \$50  
MILLION TO EACH SUCH ENTITY IF NECESSARY**

The Official Committee of Unsecured Creditors (the "Committee") appointed in the chapter 11 cases of Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in possession (collectively, the "Debtors") hereby files this statement in support of the Motion of Lehman Brothers Holdings Inc. and Lehman Commercial Paper Inc. Pursuant to Section 363 of the Bankruptcy Code for Authority (I) to Create Two Auditable Credit-Worthy Guarantors, (II) to Contribute \$50 Million to Each Such Entity, and (III) to Make Future Contribution of up to \$50 Million to Each Such Entity if Necessary [Docket No. 18793] (the "Motion");

### **STATEMENT**

1. The Committee is cognizant of the problem that certain of the Debtors (the “Movants”) have sometimes encountered when they have sought to foreclose on defaulted mezzanine loans that they had extended prepetition: in many instances, the collateral securing these junior loans has been the equity interest in the borrowing entity and, upon foreclosure, the Movants have stepped into the shoes of the original borrower, while the terms of most of the applicable senior loans have required a guarantee from the original borrower’s principal or some other creditworthy affiliate (each, a “Guarantee”). Upon foreclosure, such Guarantees also must be replaced, otherwise, the senior lenders would have the right to declare a technical default with respect to their loans. Thus, the Committee understands the Movants’ need for creditworthy affiliates that would be able to issue the Guarantees.

2. Furthermore, the Committee acknowledges that, while the Movants’ non-Debtor subsidiary, Property Asset Management Inc., issued most of the Guarantees prepetition, the Movants currently have no appropriate affiliate to issue Guarantees, because all Lehman entities either (i) are arguably insolvent; (ii) fail the requisite minimum net worth requirements; or (iii) cannot be audited without significant cost.

3. The Committee and its financial advisors have evaluated the capital contributions required for each newly created creditworthy affiliate and believe that a \$50 million start-up contribution and \$100 million potential total contribution is an appropriate amount of equity to invest in such affiliates. In addition, Committee approval will be required for any Guarantee issued by either of these newly created subsidiaries, giving appropriate oversight to creditors and assurances that such Guarantees will only be utilized where necessary to maximize the value of the estate assets in question. Finally, the Committee is comfortable that appropriate arrangements have been made with respect to the corporate governance of the newly-

created entities, the allocation of the benefits of the Guarantees and the ultimate dissolution and return of the capital invested in the newly created subsidiaries. Accordingly, the Committee supports the creation of the two new auditable, creditworthy entities.

WHEREFORE, for the foregoing reasons, the Committee respectfully requests that the Court grant (i) the relief requested in the Motion; and (ii) such other relief as is just.

Dated: New York, New York  
August 15, 2011

**MILBANK, TWEED, HADLEY & M<sup>c</sup>CLOY LLP**

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